

# City of Fremont

Fremont, California

*Single Audit Reports*

*For the year ended June 30, 2009*

**C&L**  
Caporicci & Larson  
Certified Public Accountants

SAR

12/28/09

**City of Fremont**  
**Single Audit Reports**  
**For the year ended June 30, 2009**

**Table of Contents**

---

	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	3
Schedule of Expenditures of Federal Awards .....	5
Notes to Schedule of Expenditures of Federal Awards.....	7
Schedule of Findings and Questioned Costs .....	8



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council  
of the City of Fremont  
Fremont, California

We have audited the financial statements of the City of Fremont (City) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

To the Honorable Mayor and Members of City Council  
of the City of Fremont  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of City management, the Mayor and Members of City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Capricci & Carlson*

Oakland, California  
December 3, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Members of City Council  
of the City of Fremont  
Fremont, California

**Compliance**

We have audited the compliance of the City of Fremont (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Audit Standards issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

#### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the City as of and for the year ended June 30, 2009, and have issued our report thereon dated December 3, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

This report is intended solely for the information and use of City management, the Mayor and Members of City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Capricci & Carlson*

Oakland, California  
December 3, 2009.

**City of Fremont**  
**Single Audit Reports**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2009**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
Direct Programs:			
- Community Development Block Entitlement Program:	14.218	B-07-MC-0600011	\$ 1,705,451
- Community Development Block Entitlement Program:	14.218	B-08-MC-0600011	698,577
- SHP Supportive Housing	14.235	CA-01-B602038	
		CA-01-B502037	265,838
Passed through the City of Union City:			
- Senior Citizens Homebound Program	14.218	B-08-MC-0600046	11,400
Passed through the County of Alameda:			
- HOME Investment Partnerships Program	14.239*	M-08-DC-06-201	1,464,690
<b>Total U.S. Department of Housing and Urban Development</b>			<b>4,145,956</b>
<b><u>U.S. Department of Transportation:</u></b>			
Passed through the State of California:			
- Intermodal Surface Transportation Enhancement Act (ISTEA)	20.205	04-5322	664,616
- Safe, Accountable, Flexible, Efficient Transportation Equity Act, Legacy of Users (SAFETEA-LU)	20.205	04-5322	3,134
Passed through the City of Livermore Police Department:			
- Avoid the DUI Campaign	20.600	AL0995	1,616
Passed through U.C. Berkeley:			
- Sobriety Checkpoint Program for Local Law Enforcement Agencies	20.600	SC09150	5,609
- Sobriety Checkpoint Program for Local Law Enforcement Agencies	20.600	SC08150	5,516
- Click it or Ticket Program for Local Law Enforcement Agencies	20.600	CT09150	11,258
<b>Total U.S. Department of Transportation</b>			<b>691,749</b>
<b><u>U.S. Department of Health and Human Services:</u></b>			
Passed through the Alameda County Area Agency on Aging:			
- Special Programs for the Aging Grants & Supportive Services and Senior Centers (Title III-B)	93.044	C93-0813	30,979
- Community Services-Senior Center Management	93.778	SE08-110	10,000
- Family Caregivers Support	93.052	SE08-129A	80,060
Passed through the State of California, Department of Health and Human Services:			
- Targeted Case Management - Linkages	93.778	04-35081	41,395
- Targeted Case Management - Community	93.778	04-35081	116,216
Passed through the State of California, Department of Aging:			
- Multipurpose Senior Services Program	93.778	MS-0809-37	235,675
<b>Total U.S. Department of Health and Human Services</b>			<b>514,325</b>
		Balance carried forward to next page	<b>\$ 5,352,030</b>

\* Denotes major program

**City of Fremont**  
**Single Audit Reports**  
**Schedule of Expenditures of Federal Awards, Continued**  
**For the year ended June 30, 2009**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
	Balance carried forward from previous page		\$ 5,352,030
<b>U.S. Department of Homeland Security</b>			
Direct Programs:			
- Staffing for Adequate Fire and Emergency Response	97.044	EMW-2006-FP-04669	331,200
- Fire Prevention and Safety Program	97.044	EMW-2006-FP-02939	12,372
Passed through the County of Alameda:			
- Metropolitan Medical Response System	97.071*	2007-006 2008-028	392,449
- FEMA-CERT	97.006	2005-CCC	37,354
<b>Total U.S. Department of Homeland Security</b>			<u>773,375</u>
<b>U.S. Department of Justice:</b>			
Passed through Alameda County Office of Justice:			
- Justice Assistance Grant 2008	16.579	2008DJBX0606 2008CKWX0599	8,047
<b>Total U.S. Department of Justice</b>			<u>8,047</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 6,133,452</u>

\* Denotes major program



**City of Fremont**  
**Single Audit Reports**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2008**

---

**1. REPORTING ENTITY**

The City of Fremont, California (City) was incorporated January 23, 1956, under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City uses the City Council/Manager form of government. The financial reporting entity consists of (a) the primary government, the City, (b) component units, which include organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The following are the component units of the City:

- Redevelopment Agency of the City of Fremont
- Fremont Financing Authority
- Fremont Social Services Joint Powers Authority

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Funds received under the various grant programs have been recorded within the special revenue and capital projects funds of the City. The City utilizes the modified accrual method of accounting for special revenue and capital projects funds. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared accordingly.

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule presents the activity of all Federal financial assistance programs of the City. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California and other local agencies.

The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

**City of Fremont**  
**Single Audit Reports**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2009**

---

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Fremont (City).
2. No significant deficiencies relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of the City were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program is reported in the basic financial statements.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City are reported in Part C of this Schedule below.
7. The programs tested as major programs include:

Major Program	Expenditures
Home Investment Partnerships Program	\$ 1,464,690
Metropolitan Medical Response System	392,449
<b>Total Major Program Expenditures</b>	<b>\$ 1,857,139</b>
<b>Total Federal Expenditures</b>	<b>\$ 6,133,452</b>
<b>Percent of Total Federal Award Expenditures</b>	<b>30%</b>

The auditee meets the criteria for a low-risk auditee. Consequently, the major programs tested were required to be in the aggregate at least 25% of the total federal awards expended.

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined to be a low risk auditee.

**City of Fremont**  
**Single Audit Reports**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the year ended June 30, 2009**

---

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

No financial statement findings were noted.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

No findings or questioned costs were noted on the City's major programs.

**D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**FINANCIAL STATEMENTS AUDIT**

**1. Restatement of Previously Issued Financial Statements**

**Observation**

The City has restated its previously issued financial statements to record certain capital assets not previously recorded. The City's internal controls over financial reporting did not identify the misstatement in a timely manner resulting in the restatement.

**Recommendation**

We recommend that the City enhance its internal control over financial reporting to ensure complete and accurate financial reporting. The City can accomplish this by expanding its year-end closing procedures to ensure that all nonroutine and nonsystematic transactions were accounted for, the appropriate accounting standards were applied, and transactions were accounted for in the proper period.

In addition, improved communication between City departments will ensure that all information needed for complete and accurate financial reporting is being communicated timely to the appropriate City staff.

**Management Response**

The City concurs with the recommendations above and will expand its year-end closing procedures to better ensure that all capital asset transactions have been properly and timely accounted for. This will include improved communication between City departments and appropriate City staff to ensure that the required capital asset information is complete and accurate for financial reporting.

**Status**

Implemented. No prior period adjustment to the financial statements was noted for FY 08/09.